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HOUSE BILL 2398

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State of Washington

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2002 Regular Session

By Representatives Buck, Doumit, Eickmeyer, Rockefeller, Jackley, Woods, McDermott and Haigh; by request of Department of Natural Resources

Read first time 01/16/2002. Referred to Committee on Natural Resources.

1 AN ACT Relating to contract harvesting; amending RCW 76.12.030,  
2 76.12.120, 79.64.040, and 43.85.130; reenacting and amending RCW  
3 43.84.092; adding new sections to chapter 79.01 RCW; creating a new  
4 section; and making appropriations.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that it is in the best  
7 interest of the trust beneficiaries to capture additional revenues  
8 while providing for additional environmental protection on timber  
9 sales. Further, the legislature finds that contract harvesting is one  
10 method to achieve these desired outcomes. Therefore, the legislature  
11 directs the department of natural resources to establish and implement  
12 contract harvesting where there exists the ability to increase revenues  
13 for the beneficiaries of the trusts while obtaining increases in  
14 environmental protection.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 79.01 RCW  
16 to read as follows:

17 The definitions in this section apply throughout this chapter  
18 unless the context clearly requires otherwise.

1 (1) "Commissioner" means the commissioner of public lands.

2 (2) "Contract harvesting" means a timber operation occurring on  
3 state forest lands, in which the department contracts with a firm or  
4 individual to perform all the necessary harvesting work to process  
5 trees into logs sorted by department specifications. The department  
6 then sells the individual log sorts.

7 (3) "Department" means the department of natural resources.

8 (4) "Harvesting costs" are those expenses related to the production  
9 of log sorts from a stand of timber. These expenses typically involve  
10 road building, labor for felling, bucking, and yarding, as well as the  
11 transporting of sorted logs to the forest product purchasers.

12 (5) "Net proceeds" means gross proceeds from a contract harvesting  
13 sale less harvesting costs.

14 NEW SECTION. **Sec. 3.** A new section is added to chapter 79.01 RCW  
15 to read as follows:

16 The contract harvesting revolving account is created in the custody  
17 of the state treasurer. All receipts from the gross proceeds of the  
18 sale of logs from a contract harvesting must be deposited into the  
19 account. Expenditures from the account may be used only for the  
20 payment of harvesting costs incurred on contract harvesting sales.  
21 Only the commissioner or the commissioner's designee may authorize  
22 expenditures from the account. The board of natural resources has  
23 oversight of the account, and the commissioner must periodically report  
24 to the board of natural resources as to the status of the account, its  
25 disbursement, and receipts. The account is subject to allotment  
26 procedures under chapter 43.88 RCW, but an appropriation is not  
27 required for expenditures.

28 When the logs from a contract harvesting sale are sold, the gross  
29 proceeds must be deposited into the contract harvesting revolving  
30 account. Moneys equal to the harvesting costs must be retained in the  
31 account and be deducted from the gross proceeds to determine the net  
32 proceeds. The net proceeds from the sale of the logs must be  
33 distributed in accordance with RCW 43.85.130(1)(b). The final receipt  
34 of gross proceeds on a contract harvesting sale must be retained in the  
35 contract harvesting revolving account until all required costs for that  
36 sale have been paid. The contract harvesting revolving account is an  
37 interest-bearing account and the interest must be credited to the  
38 account. The account may not exceed one million dollars. Moneys in

1 excess of one million dollars must be disbursed according to RCW  
2 76.12.030, 76.12.120, and 79.64.040. If the department permanently  
3 discontinues the use of contract harvesting sales, any sums remaining  
4 in the contract harvesting revolving account must be returned to the  
5 resource management cost account and the forest development account in  
6 proportion to each account's contribution to the initial balance of the  
7 contract harvesting revolving account.

8 NEW SECTION. **Sec. 4.** A new section is added to chapter 79.01 RCW  
9 to read as follows:

10 The board of natural resources must determine whether any special  
11 appraisal practices are necessary for logs sold by the contract  
12 harvesting processes, and if so, must adopt the special appraisal  
13 practices or procedures. In its consideration of special appraisal  
14 practices, the board of natural resources must consider and adopt  
15 procedures to rapidly market and sell any log sorts that failed to  
16 receive the required minimum bid at the original auction, which may  
17 include allowing the department to set a new appraised value for the  
18 unsold sort.

19 The board of natural resources must establish and adopt policy and  
20 procedures by which the department evaluates and selects contract  
21 harvesters.

22 **Sec. 5.** RCW 76.12.030 and 1997 c 370 s 1 are each amended to read  
23 as follows:

24 If any land acquired by a county through foreclosure of tax liens,  
25 or otherwise, comes within the classification of land described in RCW  
26 76.12.020 and can be used as state forest land and if the department  
27 deems such land necessary for the purposes of this chapter, the county  
28 shall, upon demand by the department, deed such land to the department  
29 and the land shall become a part of the state forest lands.

30 Such land shall be held in trust and administered and protected by  
31 the department as other state forest lands. Any moneys derived from  
32 the lease of such land or from the sale of forest products, oils,  
33 gases, coal, minerals, or fossils therefrom, shall be distributed as  
34 follows:

35 (1) The expense incurred by the state for administration,  
36 reforestation, and protection, not to exceed twenty-five percent, which  
37 rate of percentage shall be determined by the board of natural

1 resources, shall be returned to the forest development account in the  
2 state general fund.

3 (2) Any balance remaining shall be paid to the county in which the  
4 land is located to be paid, distributed, and prorated, except as  
5 hereinafter provided, to the various funds in the same manner as  
6 general taxes are paid and distributed during the year of payment:  
7 PROVIDED, That any such balance remaining paid to a county with a  
8 population of less than sixteen thousand shall first be applied to the  
9 reduction of any indebtedness existing in the current expense fund of  
10 such county during the year of payment.

11 In the event that the department sells logs using the contract  
12 harvesting process described in sections 2 through 4 of this act, the  
13 moneys derived subject to this section are the net proceeds from the  
14 contract harvesting sale.

15 **Sec. 6.** RCW 76.12.120 and 2000 c 148 s 2 are each amended to read  
16 as follows:

17 Except as provided in RCW 76.12.125, all land, acquired or  
18 designated by the department as state forest land, shall be forever  
19 reserved from sale, but the timber and other products thereon may be  
20 sold or the land may be leased in the same manner and for the same  
21 purposes as is authorized for state granted land if the department  
22 finds such sale or lease to be in the best interests of the state and  
23 approves the terms and conditions thereof.

24 Except as provided in RCW 79.12.035, all money derived from the  
25 sale of timber or other products, or from lease, or from any other  
26 source from the land, except where the Constitution of this state or  
27 RCW 76.12.030 requires other disposition, shall be disposed of as  
28 follows:

29 (1) Fifty percent shall be placed in the forest development  
30 account.

31 (2) Fifty percent shall be prorated and distributed to the state  
32 general fund, to be dedicated for the benefit of the public schools,  
33 and the county in which the land is located according to the relative  
34 proportions of tax levies of all taxing districts in the county. The  
35 portion to be distributed to the state general fund shall be based on  
36 the regular school levy rate under RCW 84.52.065 as now or hereafter  
37 amended and the levy rate for any maintenance and operation special  
38 school levies. With regard to the portion to be distributed to the

1 counties, the department shall certify to the state treasurer the  
2 amounts to be distributed within seven working days of receipt of the  
3 money. The state treasurer shall distribute funds to the counties four  
4 times per month, with no more than ten days between each payment date.  
5 The money distributed to the county shall be paid, distributed, and  
6 prorated to the various other funds in the same manner as general taxes  
7 are paid and distributed during the year of payment.

8 In the event that the department sells logs using the contract  
9 harvesting process described in sections 2 through 4 of this act, the  
10 moneys received subject to this section are the net proceeds from the  
11 contract harvesting sale.

12 **Sec. 7.** RCW 79.64.040 and 2001 c 250 s 16 are each amended to read  
13 as follows:

14 The board shall determine the amount deemed necessary in order to  
15 achieve the purposes of this chapter and shall provide by rule for the  
16 deduction of this amount from the moneys received from all leases,  
17 sales, contracts, licenses, permits, easements, and rights of way  
18 issued by the department and affecting public lands, provided that no  
19 deduction shall be made from the proceeds from agricultural college  
20 lands. Moneys received as deposits from successful bidders, advance  
21 payments, and security under RCW 79.01.132 and 79.01.204 prior to  
22 December 1, 1981, which have not been subjected to deduction under this  
23 section are not subject to deduction under this section. The  
24 deductions authorized under this section shall in no event exceed  
25 twenty-five percent of the moneys received by the department in  
26 connection with any one transaction pertaining to public lands other  
27 than second class tide and shore lands and the beds of navigable  
28 waters, and fifty percent of the moneys received by the department  
29 pertaining to second class tide and shore lands and the beds of  
30 navigable waters.

31 In the event that the department sells logs using the contract  
32 harvesting process described in sections 2 through 4 of this act, the  
33 moneys received subject to this section are the net proceeds from the  
34 contract harvesting sale.

35 **Sec. 8.** RCW 43.85.130 and 1981 2nd ex.s. c 4 s 1 are each amended  
36 to read as follows:

1 (1) The department shall deposit daily all moneys and fees  
2 collected or received by the commissioner of public lands and the  
3 department of natural resources in the discharge of official duties as  
4 follows:

5 (a) The department shall pay moneys received as advance payments,  
6 deposits, and security from successful bidders under RCW 79.01.132 and  
7 79.01.204 to the state treasurer for deposit under subsection (1)(b) of  
8 this section. Moneys received from unsuccessful bidders shall be  
9 returned as provided in RCW 79.01.204;

10 (b) The department shall pay all moneys received on behalf of a  
11 trust fund or account to the state treasurer for deposit in the trust  
12 fund or account after making the deduction authorized under RCW  
13 76.12.030, 76.12.120, ~~((and))~~ 79.64.040, and section 3 of this act;

14 (c) The natural resources deposit fund is hereby created. The  
15 state treasurer is the custodian of the fund. All moneys or sums which  
16 remain in the custody of the commissioner of public lands awaiting  
17 disposition or where the final disposition is not known shall be  
18 deposited into the natural resources deposit fund. Disbursement from  
19 the fund shall be on the authorization of the commissioner or the  
20 commissioner's designee, without necessity of appropriation;

21 (d) If it is required by law that the department repay moneys  
22 disbursed under subsections (1)(a) and (1)(b) of this section the state  
23 treasurer shall transfer such moneys, without necessity of  
24 appropriation, to the department upon demand by the department from  
25 those trusts and accounts originally receiving the moneys.

26 (2) Money shall not be deemed to have been paid to the state upon  
27 any sale or lease of land until it has been paid to the state  
28 treasurer.

29 **Sec. 9.** RCW 43.84.092 and 2001 2nd sp.s. c 14 s 608, 2001 c 273 s  
30 6, 2001 c 141 s 3, and 2001 c 80 s 5 are each reenacted and amended to  
31 read as follows:

32 (1) All earnings of investments of surplus balances in the state  
33 treasury shall be deposited to the treasury income account, which  
34 account is hereby established in the state treasury.

35 (2) The treasury income account shall be utilized to pay or receive  
36 funds associated with federal programs as required by the federal cash  
37 management improvement act of 1990. The treasury income account is  
38 subject in all respects to chapter 43.88 RCW, but no appropriation is

1 required for refunds or allocations of interest earnings required by  
2 the cash management improvement act. Refunds of interest to the  
3 federal treasury required under the cash management improvement act  
4 fall under RCW 43.88.180 and shall not require appropriation. The  
5 office of financial management shall determine the amounts due to or  
6 from the federal government pursuant to the cash management improvement  
7 act. The office of financial management may direct transfers of funds  
8 between accounts as deemed necessary to implement the provisions of the  
9 cash management improvement act, and this subsection. Refunds or  
10 allocations shall occur prior to the distributions of earnings set  
11 forth in subsection (4) of this section.

12 (3) Except for the provisions of RCW 43.84.160, the treasury income  
13 account may be utilized for the payment of purchased banking services  
14 on behalf of treasury funds including, but not limited to, depository,  
15 safekeeping, and disbursement functions for the state treasury and  
16 affected state agencies. The treasury income account is subject in all  
17 respects to chapter 43.88 RCW, but no appropriation is required for  
18 payments to financial institutions. Payments shall occur prior to  
19 distribution of earnings set forth in subsection (4) of this section.

20 (4) Monthly, the state treasurer shall distribute the earnings  
21 credited to the treasury income account. The state treasurer shall  
22 credit the general fund with all the earnings credited to the treasury  
23 income account except:

24 (a) The following accounts and funds shall receive their  
25 proportionate share of earnings based upon each account's and fund's  
26 average daily balance for the period: The capitol building  
27 construction account, the Cedar River channel construction and  
28 operation account, the Central Washington University capital projects  
29 account, the charitable, educational, penal and reformatory  
30 institutions account, the common school construction fund, the contract  
31 harvesting revolving account, the county criminal justice assistance  
32 account, the county sales and use tax equalization account, the data  
33 processing building construction account, the deferred compensation  
34 administrative account, the deferred compensation principal account,  
35 the department of retirement systems expense account, the drinking  
36 water assistance account, the drinking water assistance administrative  
37 account, the drinking water assistance repayment account, the Eastern  
38 Washington University capital projects account, the education  
39 construction fund, the emergency reserve fund, the federal forest

1 revolving account, the health services account, the public health  
2 services account, the health system capacity account, the personal  
3 health services account, the state higher education construction  
4 account, the higher education construction account, the highway  
5 infrastructure account, the industrial insurance premium refund  
6 account, the judges' retirement account, the judicial retirement  
7 administrative account, the judicial retirement principal account, the  
8 local leasehold excise tax account, the local real estate excise tax  
9 account, the local sales and use tax account, the medical aid account,  
10 the mobile home park relocation fund, the multimodal transportation  
11 account, the municipal criminal justice assistance account, the  
12 municipal sales and use tax equalization account, the natural resources  
13 deposit account, the oyster reserve land account, the perpetual  
14 surveillance and maintenance account, the public employees' retirement  
15 system plan 1 account, the public employees' retirement system combined  
16 plan 2 and plan 3 account, the public health supplemental account, the  
17 Puyallup tribal settlement account, the resource management cost  
18 account, the site closure account, the special wildlife account, the  
19 state employees' insurance account, the state employees' insurance  
20 reserve account, the state investment board expense account, the state  
21 investment board commingled trust fund accounts, the supplemental  
22 pension account, the teachers' retirement system plan 1 account, the  
23 teachers' retirement system combined plan 2 and plan 3 account, the  
24 tobacco prevention and control account, the tobacco settlement account,  
25 the transportation infrastructure account, the tuition recovery trust  
26 fund, the University of Washington bond retirement fund, the University  
27 of Washington building account, the volunteer fire fighters' and  
28 reserve officers' relief and pension principal fund, the volunteer fire  
29 fighters' and reserve officers' administrative fund, the Washington  
30 fruit express account, the Washington judicial retirement system  
31 account, the Washington law enforcement officers' and fire fighters'  
32 system plan 1 retirement account, the Washington law enforcement  
33 officers' and fire fighters' system plan 2 retirement account, the  
34 Washington school employees' retirement system combined plan 2 and 3  
35 account, the Washington state health insurance pool account, the  
36 Washington state patrol retirement account, the Washington State  
37 University building account, the Washington State University bond  
38 retirement fund, the water pollution control revolving fund, and the  
39 Western Washington University capital projects account. Earnings

1 derived from investing balances of the agricultural permanent fund, the  
2 normal school permanent fund, the permanent common school fund, the  
3 scientific permanent fund, and the state university permanent fund  
4 shall be allocated to their respective beneficiary accounts. All  
5 earnings to be distributed under this subsection (4)(a) shall first be  
6 reduced by the allocation to the state treasurer's service fund  
7 pursuant to RCW 43.08.190.

8 (b) The following accounts and funds shall receive eighty percent  
9 of their proportionate share of earnings based upon each account's or  
10 fund's average daily balance for the period: The aeronautics account,  
11 the aircraft search and rescue account, the county arterial  
12 preservation account, the department of licensing services account, the  
13 essential rail assistance account, the ferry bond retirement fund, the  
14 grade crossing protective fund, the high capacity transportation  
15 account, the highway bond retirement fund, the highway safety account,  
16 the motor vehicle fund, the motorcycle safety education account, the  
17 pilotage account, the public transportation systems account, the Puget  
18 Sound capital construction account, the Puget Sound ferry operations  
19 account, the recreational vehicle account, the rural arterial trust  
20 account, the safety and education account, the special category C  
21 account, the state patrol highway account, the transportation equipment  
22 fund, the transportation fund, the transportation improvement account,  
23 the transportation improvement board bond retirement account, and the  
24 urban arterial trust account.

25 (5) In conformance with Article II, section 37 of the state  
26 Constitution, no treasury accounts or funds shall be allocated earnings  
27 without the specific affirmative directive of this section.

28 NEW SECTION. **Sec. 10.** (1) The sum of two hundred fifty thousand  
29 dollars, or as much thereof as may be necessary, is appropriated for  
30 the biennium ending June 30, 2003, from the resource management cost  
31 account to the contract harvesting revolving account for the purposes  
32 of this act.

33 (2) The sum of two hundred fifty thousand dollars, or as much  
34 thereof as may be necessary, is appropriated for the biennium ending  
35 June 30, 2003, from the forest development account to the contract  
36 harvesting revolving account for the purposes of this act.

1        NEW SECTION.    **Sec. 11.**    If any provision of this act or its  
2 application to any person or circumstance is held invalid, the  
3 remainder of the act or the application of the provision to other  
4 persons or circumstances is not affected.

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